GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2710
ANSWERED ON:31.08.2007
INDEPENDENT MECHANISM FOR CHECKING BANKING FRAUDS
Lagadapati Shri Rajagopal

Will the Minister of FINANCE be pleased to state:

(a) the achievement of the Banking Services Fraud Cell in reducing banking frauds in the country;

(b) whether Government has received suggestions to put in place an effective and independent mechanism free from the Government controls to probe into banking frauds in all public and private banks; and

(c) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a): Reserve Bank of India (RBI) has reported that they are not aware of the existence of `Banking Services Fraud Cell`. However, there is a `Banking Security and Fraud Cell` (BS&FC) in Central Bureau of Investigation (CBI) to which all cases of frauds involving Rs.5 crore and above are referred for investigation by the Public Sector Banks. Further with a view to have an integrated approach and focused attention to monitoring of frauds in the financial sector, the Frauds Monitoring Cell was created in the Department of Banking Supervision of the Reserve Bank of India in June 2004. The Cell monitors all frauds involving Rs.1 lakh and above which are reported by Commercial Banks, Financial Institutions, Local Area Banks, Urban Co-operative Banks and Non Banking Financial Companies to RBI.

(b) & (c) : RBI has also reported that a case titled `Common Cause (a registered Society) Vs Union of India and others (WP No. 291 of 1998)` had come up for hearing on November 9, 2006 before the Supreme Court of India. The Hon`ble Court observed that certain suggestions had come up in relation to setting up of an independent mechanism to investigate banking and other related frauds. The Apex Court directed Shri Harish Salve, Sr. Advocate, in his personal capacity, not necessarily appearing for RBI, to give a note on the suggestions to Shri Sharan, Learned Additional Solicitor General, who will have it examined. In compliance of the order of the Apex Court, Shri Harish Salve has submitted a note containing suggestions for setting up of an independent mechanism to investigate banking and other related frauds before the Apex Court, when this case came up for hearing on 28.3.2007.